

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 2001

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Docket No. R2001-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS KIEFER  
(UPS/USPS- T33-4, 11, 12, AND 14)

The United States Postal Service hereby files its response to the following interrogatories of United Parcel Service redirected from witness Kiefer and filed on November 19, 2001: UPS/USPS- T33-4, 11, 12, and 14.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2999 Fax -5402  
December 4, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS KIEFER**

**UPS/USPS-T33-4.** Confirm that a worksharing discount is not offered for Priority Mail pieces that are entered at the Destination Delivery Unit (“DDU”). If not confirmed, explain in detail.

(a) Confirm that any piece that is migrated from Priority Mail to Parcel Post DDU destination entry will yield significantly less contribution per piece to institutional costs. If not confirmed, explain in detail.

(b) Assume there was a DDU destination entry discount for Priority Mail pieces. Confirm that a workshared Priority Mail DDU destination entry piece with 100% passthrough of worksharing savings would have a contribution to institutional costs of \$2.23 per piece. If not confirmed, explain in detail.

**RESPONSE**

No worksharing discounts are offered for Priority Mail pieces entered at the DDU.

- (a) Not confirmed. The Postal Service has no data that characterize what Priority Mail pieces might migrate to Parcel Post DDU entry. Further, even if such a piece could be characterized, no data exist that allow the Postal Service to determine the variable cost of a piece of mail that is eligible to migrate from Priority Mail to Parcel Post. Hence it is impossible to know what the actual contribution would be for a specific eligible piece, and the requested comparison cannot be made.
- (b) Not confirmed. The \$2.23 figure represents the contribution to institutional costs of an average Priority Mail piece (see the response to question UPS/USPS-T33-3(c) redirected to the Postal Service), not necessarily the contribution of a parcel that would be eligible to migrate from Priority Mail to Parcel Post. The Postal Service has no data that allow it to characterize what Priority Mail pieces might migrate to Parcel Post DDU entry. Moreover, no data exist that would allow the Postal Service to determine the variable cost of a piece of mail that is eligible to migrate from Priority Mail to Parcel Post. Hence it is impossible to know what the

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actual contribution would be for a specific eligible piece, and the requested comparison cannot be made.

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**UPS/USPS-T33-11.** Confirm that there are no content restrictions that differ between non-letter Priority Mail and Parcel Post. If not confirmed, explain in detail.

(a) Identify and explain any Postal Service regulations that that would not permit a non-letter Priority Mail piece to be entered instead as a Parcel Post piece.

(b) Explain whether you have taken into account in your Parcel Post DDU destination entry rate design the lost contribution that results from a Priority Mail piece being migrated to Parcel Post DDU-entry. If such lost contribution has not been taken into account, explain why not.

**RESPONSE**

Not confirmed. See explanation under (a), below.

(a) Postal Service regulations describing items mailable using Parcel Post rates are described in the DMM, Sections E710.1.0 and E711.1.0. These regulations limit Parcel Post to items that are “neither mailed or required to be mailed as First-Class Mail.” DMM Section E110.1.0 describes those items that are required to be mailed as First-Class Mail (including Priority Mail). Priority Mail pieces whose content does not fall under the requirements of DMM Section E110.1.0 would be also eligible to be mailed as Parcel Post.

(b) No such adjustment has been made. The Postal Service has no data that characterize what Priority Mail pieces might migrate to Parcel Post DDU entry. Furthermore, even if the characteristics of such pieces were known, as I have described in my response to UPS/USPS-T33-4, the Postal Service has no data that would enable it to disaggregate Priority Mail costs in a way that reasonable estimates of the actual costs and contributions for such pieces could be made. Finally, the Postal Service has no data or studies that indicate that a significant amount of Priority Mail pieces will migrate to Parcel Post DDU entry.

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**UPS/USPS-T33-12.** Refer to the Mailer's Technical Advisory Committee Meeting Minutes for August 1-2, 2001 for "Issue 61 -- Service Assessment for DU Drop Shipments" under the category "Parcels" available at [www.ribbs.usps.gov/mtac.htm](http://www.ribbs.usps.gov/mtac.htm).

(a) Confirm that there is an ongoing measurement program to assess delivery performance for Parcel Post DDU destination entry parcels. If not confirmed, explain.

(b) Provide any available results from this program.

(c) Explain why "Priority Mail customers are invited to participate in the assessment."

(d) Is a Priority Mail DDU destination entry rate being considered by the Postal Service? If not, why not.

**RESPONSE**

(a) Not confirmed. The measurement program is currently being developed and so is not ongoing. In addition, the program is being designed to assess service performance for all dropshipped parcels, regardless of subclass.

(b) No results are available. Please see the response to subpart (a).

(c) The Postal Service does not know how this statement entered the minutes of the meeting, or that this statement accurately reflects an opinion expressed at the meeting. The program that is being implemented will only focus on dropshipped parcels (see response to subpart (a)). Moreover, the minutes of the April 25, 2001 "MTAC/USPS DDU Drop Shipment Service Assessment for Parcels Workgroup" meeting (available at <http://www.ribbs.usps.gov/mtac.htm>) clearly state as one of the objectives of the group, "[w]ork jointly with parcel shippers (Package Services and Standard Mail), including drop ship consolidators to assess DDU service performance." There is no mention of Priority Mail customers.

(d) The Postal Service is currently not considering a Priority Mail DDU destination entry rate. Any such offering would have to account for the greatly diminished opportunity to provide expedited processing and transportation (though there could be some retained preferential treatment in delivery – see witness

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Kingsley's response to UPS/USPS-T33-6), which are defining characteristics of Priority Mail.

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**UPS/USPS-T33-14.** Describe in detail any differences in the handling and delivery of Standard Mail ECR DDU destination entry letters and First Class letters arriving at the DDU with respect to, but not limited to, priority in processing and delivery. Include in your explanation the effect of relevant statutes and Postal Service regulations on the ability of a mailer to migrate a First Class letter to a Standard Mail ECR DDU destination entry piece as well as the additional mail preparation (e.g., sequencing) that would be required of the mailer.

(a) Describe in detail the mail that could be sent as First Class mail but not as Standard Mail ECR DDU destination entry (due to statutes or Postal Service regulations concerning content restrictions).

**RESPONSE**

See the response of the Postal Service to UPS/USPS-T28-32.

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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Scott L. Reiter

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